

**Global Concessional Financing Facility
Steering Committee Meeting
October 1, 2021, by Video Conference**

Key Decisions

- *The Steering Committee approved the draft amendments to the Operations Manual presented at today's Steering Committee meeting, as pertains to: 1) the inclusion of Private Sector Operations and its associated modalities; 2) the revision of the concessionality formula, in accordance with the Steering Committee decision of June 23, 2021; and 3) the inclusion of Ecuador and Colombia as GCFF Benefiting Countries, and the Inter-American Development Bank as Implementation Support Agency of the GCFF, in accordance with Steering Committee decisions adopted in January and September 2019 and June 2021.*
- *In view of its agreement to pilot the Private Sector Approach within the GCFF, the Steering Committee approved the funding allocation of US\$31.2 million for GCFF Jordan Private Sector Guarantee Facility (JPSGF), with the EIB as ISA, on the agreement by the ISA that: 1) the ISA will provide, with the support of the GCFF Coordination Unit, an update every six months on progress in achieving results related to refugees and host communities; and 2) the ISA will undertake results monitoring in a manner that allows for an adaptive approach to implementation and adjustments as necessary to project design and approach to maximize impact on refugees and host communities.*

The Steering Committee authorizes the Trustee to set aside, commit, and transfer such funds as available from the Jordan/Lebanon window. The allocation consists of a US\$30,000,000 Grant Amount and US\$1,200,000 for associated Private Sector Operation ISA costs (in the amount of 4% of Private Sector Funds transferred by the Trustee to the ISA upon submission of a Cash Transfer Request, following approval of the underlying transactions by EIB governing bodies).

In addition, GCFF Supporting Countries discussed, acknowledged and approved the agreed upon procedures applicable to the implementation of the JPSGF, as described in Section 9 of the Funding Request, including: (i) the risk of full loss, (ii) the lack of risk commensurate return, and (iii) the performance of a qualitative assessment on the suitability of the risk management framework, systems, policies and procedures of the proposed PSFIs and their ability to implement the underlying operations in lieu of EIB's credit risk guidelines and pricing methodology applicable to operations carried out at its own risk.

Summary of Meeting

1. Introductory Remarks

The two co-chairs of the meeting, Ms. **Gabriela Edne Cohen Daza**, Acting Head of Multilateral and Bilateral External Debt, Ministry of Finance, Representative of Colombia, and Mr. **Richard Teuten**, Foreign, Commonwealth & Development Office (FCDO), representative of the United Kingdom, welcomed all participants to this virtual GCFF Steering Committee. Mr. Teuten introduced **Ms. Soukeyna Kane**, who is the new Director of the Fragility, Conflict and Violence (FCV) group at the World Bank.

Ms. Kane summarized the decisions that were adopted at the SC meeting on June 23, 2021, including the extension of the GCFF to 2026; the endorsement of several important measures to strengthen the GCFF; and the revision of the Concessionality Formula. Ms. Kane also noted that on September 14, two funding requests from the Government of Colombia were transmitted to the Steering Committee for review. The funding requests received virtual no-objection approval on September 30, 2021. Ms. Kane also thanked the U.S., Canada and Norway for their recent contributions to the GCFF Global Window, that made the approval of the two funding requests possible.

Ms. Kane also reminded the SC that the inclusion of Private Sector Operations in the GCFF has been discussed extensively by the Steering Committee since 2017. This Steering Committee meeting is the culmination of this work, with the following two items put forward for decision: (i) the approval of the proposed amendments to the GCFF Operations Manual, including provisions on Private Sector Operations and the Revised Concessionality Formula, among other amendments; and (ii) the approval of the revised Funding Request for the pilot Private Sector Operation in Jordan, with EIB as ISA, titled “GCFF Jordan Private Sector Guarantee Facility (JPSGF)”.

After the roll call, Ms. Kane turned to Ms. Cohen, who moved on to the first item of the meeting.

2. Items for Decision

Approval of the proposed amendments to the GCFF Operations Manual

Ms. Cohen gave the floor to **Ms. Nabila Assaf**, Manager, FCV, World Bank, who summarized the main amendments to the GCFF Operations Manual (OM). Ms. Assaf reminded the SC of the work that has led to the draft amendments to the OM in order to extend GCFF funding to Private Sector Operations (PSOs). The amendments concern three different issues: (i) the first set of amendments to the OM relates to the PSOs, (ii) the second set of amendments relates to the new concessionality formula, which was amended following the suspension of the LIBOR rate, (iii) and the last set of amendments relates to the addition of Ecuador and Colombia as Benefitting Countries (BCs) to the GCFF and the addition of the IDB as an Implementation Support Agency (ISA) to the GCFF. While the SC had already approved the addition of the new BCs and the ISA, the OM had not been amended to reflect these decisions.

Ms. Cohen opened the floor to discussion.

The US thanked the Coordination Unit (CU) for the update. While the US noted that it has no issue with the amendments to the OM, it asked for clarification on how reflows from PSOs would operate, in particular those beyond the life-span of the GCFF. **Japan** also supported the inclusion of PSOs. However, Japan noted that it is important to monitor the development impact of such operations. Secondly, Japan noted that under section 11 of the OM, para.15 on p.66, only underserved women and youth are mentioned, while the primary group to be supported by the GCFF is refugees and host communities. While gender and youth are important to the development agenda, Japan emphasized that they should be helped through other facilities. **Norway** noted its approval of the amendments of the OM. Likewise, **UNHCR** expressed its support and appreciation for including PSOs into the GCFF.

Ms. Assaf responded to Japan’s question that in terms of the language of the OM, the OM refers both to host communities and refugees. The PPGs are not only for women and youth, but they are important and therefore mentioned. This does not take away from the main focus on refugees and host communities.

Jordan thanked the GCFF and the donors for their support to the country, noting the challenges that the country is facing, exacerbated by hosting large numbers of Syrian refugees. Jordan considers support to PSOs of paramount importance, also noting the high levels of Syrians employed in the private sector. SMEs are important in the Jordan economy, and by supporting them, refugees and host communities are also supported. By crowding in the private sector, one can widen the support to refugees and host communities.

Ms. Jane Mwebi, GCFF Trustee, World Bank, explained that the reflow of funds received from PSOs will be returned to the Trustee for credit to the window from which the original funds were transferred, on terms of transfer agreed with the Trustee. The OM has included reflows of funds as a type of funds to be returned by the ISA to the Trustee, in paragraph 37(d) and the OM glossary gives a comprehensive definition of reflows of funds on page 26. **Ms. Nneoma Nwogu**, Legal, World Bank, further clarified that paragraphs 35 and 36 distinguish between the end of the Trust Fund and the End Approval Date (EAD) of the GCFF with the end/closure of the Trust Fund occurring only after the date on which the last return of CFF funds or Reflow of Funds is scheduled from ISAs to the GCFF per paragraph 37 of the OM.

The US noted its appreciation of the answers, noting their legal colleagues will have a look at the amendments. **Japan** also appreciated the response, which had addressed the question.

Ms. Cohen thanked the Coordination Unit for the presentation on the proposed amendments to the OM and thanked members for the productive discussion. Ms. Cohen then read the text of the decision.

Decision: *The Steering Committee approved the draft amendments to the Operations Manual presented at today’s Steering Committee meeting, as pertains to: 1) the inclusion of Private Sector Operations and its associated modalities; 2) the revision of the concessionality formula, in accordance with the Steering Committee decision of June 23, 2021; and 3) the inclusion of Ecuador and Colombia as GCFF Benefiting Countries, and the Inter-American Development Bank as Implementation Support Agency of the GCFF, in accordance with Steering Committee decisions adopted in January and September 2019 and June 2021.*

Discussion/Approval of the Funding Request of the pilot operation in Jordan, with EIB as ISA “GCFF Jordan Private Sector Guarantee Facility (JPSGF)”.

Mr. Teuten reminded SC members that this Funding Request has been discussed at previous Steering Committee meetings and was circulated for review in July 2021. Following the receipt of feedback from SC members, the Funding Request has been revised and was submitted by the EIB and shared with the Steering Committee on September 20.

Mr. Teuten gave the floor to **Mr. Christoph Kuhn**, EIB, to provide the Steering Committee with a presentation of the Funding Request for the pilot operation in Jordan, with EIB as ISA, titled “GCFJ Jordan Private Sector Guarantee Facility (JPSGF)”. Mr. Kuhn noted that the EIB has been working on this proposal with Jordan, the GCFJ Coordination Unit, and other partners at the table and that he believes that the revised proposal has addressed all comments provided by Supporting Countries. The instrument, as it was presented in July, benefitted from these discussions and is now more focused on refugees. Firstly, it now includes more detailed explanations about the rationale of the operation, and its complementarity with public sector initiatives. Secondly, the eligibility criteria have been narrowed down, especially in relation to the COVID criteria, while retaining a framing that is still acceptable to financial intermediaries. Thirdly, a new incentive framework, targeting refugees, has been introduced. Mr. Kuhn expressed his hope that the operation would be approved, and understanding for Supporting Countries’ particular interest in close monitoring of the project given its role as a pilot for the PSO approach in the GCFJ.

Mr. Teuten thanked **Mr. Kuhn** for the presentation and opened the floor for comments and questions.

Germany thanked the EIB for the additional information that helped to better understand the project. One concern remained for Germany related to the do no harm requirement of this project, as well as other PSO projects. Germany noted that this proposal addresses this specifically. Germany welcomed the EIB’s offer to monitor and report on this operation regularly. Germany affirmed its agreement of this proposal, contingent on the EIB monitoring and reporting on this project and ensuring that the “do no harm” principle is being followed. **The Netherlands** recognized the effort that has gone into the revision of the proposal, while agreeing with Germany about the do no harm principle and mirrored Germany’s requests, both regarding reporting and monitoring and the do no harm principle. The Netherlands provided its approval with the understanding that these points will be addressed. **Japan** thanked the EIB team for their efforts on this proposal and to address the concerns raised. Japan echoed the comments of Netherlands and Germany. Given that the primary purpose of the GCFJ facility is to support refugees, Japan did not consider the eligibility framework in the EIB proposal specific enough to ensure achievement of the expected outcome. Japan stated that it does not object to this project given the impact of the refugee influx in Jordan, but noted that it might not support future projects with similar eligibility frameworks.

The US stated that it is generally supportive of the proposal, and recognized the effort made to accommodate SC comments. The US welcomed the comments of the other donors, including those on monitoring and the do no harm principle. **The UK** also welcomed the changes that have been made. The UK asked, however, if more could have been said in the theory of change about risks and assumptions. The UK also noted that 90% of the funds are going to the banks – yet refugees are less likely to be able to access the larger loans they offer- , and that the Jordanian market is much more segmented than in other countries, noting that this approach may not work everywhere else. The UK agreed with the views of the other SC members that this operation needs to be closely monitored and asked that the EIB reports back to the SC six months after the approval of the operation and thereafter every six months. The UK also noted that enhanced monitoring is only effective if there is an ability to respond to what emerges and to adjust the project as needed. The UK would therefore like to get reassurance that the project details can be amended if there is risk

that the project objectives cannot be met. **UNHCR** noted that this operation is meant to target and benefit refugees and host communities and agreed with the comments made by Japan. The UNHCR offered its support in monitoring the results of the project.

Mr. Kuhn noted that he understood the concerns raised. He stressed that the project already contains risk mitigation strategies to ensure it does no harm. This includes working closely with financial institutions and ensuring due diligence in the review of their records and providing technical assistance to all institutions involved in the project. Mr. Kuhn agreed to provide an update on progress in achieving the results every six months in line with existing provisions, should the Steering Committee request a discussion at the regular meetings. On the monitoring of results in a manner that facilitates an adaptive approach to maximize impact on refugees and host communities, Mr. Kuhn highlighted that changes cannot be made ex post to an already allocated portfolio of guarantees, but rather would need to be limited to guarantees that remain to be negotiated and signed with PSFIs, and would need to be based on an approval of such amendments to the Funding Request. Mr. Kuhn expressed agreement to undertaking regular monitoring and updates to the SC, provided that the proposal was approved without conditions.

Jordan noted that they are pleased that the EIB has developed this proposal, which offers a strong support to refugees and host communities. Both would benefit from the project. Jordan is fully supportive of this proposal.

Mr. Teuten read the text of the decision and asked the SC if it was acceptable. **Ms. Assaf** clarified that the frequency of reporting is not an additional requirement, but that it is already in the text of the decision. **Mr. Kuhn** sought clarification regarding the term “undertake” in paragraph 1, point 2 of the decision, to which Mr. Teuten explained that this is in reference to adjustments that would be made as deemed necessary in relation to monitoring results, and which do not entail any a priori changes to the project.

Mr. Teuten then asked the SC for consent on the decision. The Steering Committee by unanimity of all GCFE Supporting Countries approved the decision. Mr. Teuten then read the text of the decision :

Decision: *In view of its agreement to pilot the Private Sector Approach within the GCFE, the Steering Committee approved the funding allocation of US\$31.2 million for GCFE Jordan Private Sector Guarantee Facility (JPSGF), with the EIB as ISA, on the agreement by the ISA that: 1) the ISA will provide, with the support of the GCFE Coordination Unit, an update every six months on progress in achieving results related to refugees and host communities; and 2) the ISA will undertake results monitoring in a manner that allows for an adaptive approach to implementation and adjustments as necessary to project design and approach to maximize impact on refugees and host communities.*

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In addition, GCFE Supporting Countries discussed, acknowledged and approved the agreed upon procedures applicable to the implementation of the JPSGF, as described in Section 9 of the Funding Request, including: (i) the risk of full loss, (ii) the lack of risk commensurate return, and (iii) the performance of a qualitative assessment on the suitability of the risk management framework, systems, policies and procedures of the proposed PSFIs and their ability to implement the underlying operations in lieu of EIB's credit risk guidelines and pricing methodology applicable to operations carried out at its own risk.

3. Presentation – Briefing on refugee flows to MIC countries

Ms. Cohen introduced the final item, the informational briefing on refugee flows to MIC countries and gave the floor to **Ms. Betsy Lippman** from UNHCR.

Ms. Lippman explained that the Syrian refugee crisis is still the largest refugee crisis in the world, with more than 6.5 million Syrian refugees remaining in the region. Many have been pushed to poverty. There are 851,000 Syrian refugees in Lebanon. UNHCR continues to engage with GoL on refugee-related matters. However, the collapse of the Lebanese economy has severely affected the Syrian refugee population. 88% of the Syrian refugee population now lives in extreme poverty. The UNHCR is providing cash transfers, but more help is needed from the global community. Ms. Lippman then moved on to Jordan, where there are more than 670,000 Syrian refugees. While Jordan has been inclusive towards Syrians, additional inclusion measures are needed.

With respect to Venezuela, the outflow of 5.7 million Venezuelans currently constitutes the second largest displacement crisis in the world. More than 4.6 million Venezuelans are currently in the LAC region, with over 5 million projected by the end of 2021. Over 171,000 Venezuelans are currently recognized as refugees worldwide. The main countries of asylum are Peru, USA, Brazil, and Colombia. Regularization is underway or already in place in Colombia, Peru, Ecuador, Brazil, and several other countries. However, the Venezuela situation continues to be critically underfunded.

Afghanistan is currently at a critical juncture and the situation could quickly develop into a humanitarian crisis. Even prior to the recent events, 1 in 2 Afghans were in need of humanitarian assistance and 1 in 10 had experienced displacement. It is expected that the economy will contract 20-30% over the short term. The situation in Afghanistan risks resulting in refugee flows, which can result in over 500,000 Afghans displaced across borders.

Ms. Lippman then gave a brief update on other refugee-hosting countries. Tajikistan has been considered for the host community sub-window under IDA-19. Iran currently hosts 800,000 refugees. Turkey hosts the largest refugee population in the world, including 3.7 million Syrians and 125,000 registered Afghans. Pakistan is the third largest refugee-hosting country in the world and is hosting large numbers of Afghan refugees.

Ms. Cohen thanked Ms. Lippman for the presentation and opened the floor for comments and questions.

The Netherlands thanked UNHCR for the presentation and asked about whether there are any discussions on opening refugee-reception centers on the Afghan border. **Ms. Lippman** explained

that this issue is still under discussion. Ms. Lippman offered to come back to the SC on this matter when there is more information available.

The US thanked UNHCR for the presentation. **Japan** also thanked for the informative presentation and asked why the Palestinian crisis had not been mentioned. **Ms. Lippman** explained that Palestinians fall under UNRWA and not the UNHCR. She also noted that the UNHCR could provide additional information as needed.

The Netherlands asked for more information about the RPRF process and IDA decisions. **Ms. Lippmann** then explained the process and noted that they are hoping that the RPRFs will help to generate an open dialogue on policy responses to displacement. **The Netherlands** noted that it would be very supportive of such a session. **Ms. Assaf** explained on this point that the CU is working closely with others working on refugees and refugee flows to ensure relevant practices are integrated into ongoing work on GCFF results and reporting. **Mr. Demetriou** said that if the SC finds these discussions interesting, they can be organized on a more regular basis.

4. Closing Remarks

Mr. Teuten asked the CU to clarify the process for future amendments to the OM and the timeline for the next SC meeting. **Mr. Demetriou** explained that work is ongoing in relation to the workstreams agreed by the SC in June, with all being on track for submission and approval by the end of this calendar year. **Mr. Teuten** asked for sufficient advanced notice of any upcoming GCFF projects so that there is sufficient funding. With regard to the OM, Mr. Teuten asked that the revised OM should be circulated in advance so that the SC has enough time to submit their comments. **Mr. Demetriou** said that the CU will update the SC periodically on progress. **Mr. Teuten** asked if the next SC meeting will still be in virtual format. **Ms. Assaf** replied that this can be discussed closer to the meeting. **The US** wanted to mirror the UK's comments on early visibility of the pipeline, which is always appreciated.

Mr. Teuten and Ms. Cohen thanked the SC membership for a productive meeting and closed the meeting.